



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF STATE LANDS AND FORESTRY

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0006 Enclosed

T 5 N R 1 E
Sec 32
Hand work only
sorry but letter
saying we did not
need to permit
under our rules.

May 17, 1994

CERTIFIED MAIL NO. P 051 448 231

Wesley Morris James
222 Engstrom
Layton, UT 84041

Dear Mr. James:

RE: ML 46013 Metalliferous Minerals; Davis County

The terms and conditions of the above-numbered lease and the rules of the division require that upon submitting a notice of intent to commence mining the Lessee shall, upon Lessor's request, post a bond with the division. A bond is required primarily to ensure the reclamation of mined land disturbances but shall also be conditioned upon the payment of rentals and royalties which may become due the state.

Division records indicate that in 1993 you submitted a notice of intent to commence mining activity upon these lands. The division did not ask you to post a bond at that time but is now requiring bonding of all mining operations upon state lands. You are requested to immediately submit a surety bond in the amount of \$5,000 using the enclosed surety bond form. The Surety must be registered in Utah. In-lieu of a surety bond you may submit a \$5,000 short term renewable certificate of deposit with a Utah banking institution, providing the division is listed as a co-owner of the CD.

Also, the terms and conditions of the lease require that production be reported monthly and that royalty be paid upon the leased substances that are mined and removed from the leasehold not later than the last day of the month following the month in which the production occurred. Division rules require that interest be paid upon delinquent royalty at the average adjusted prime rate plus 4%, compounded annually.



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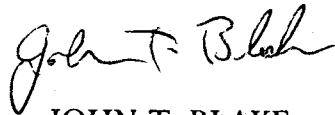
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Division records indicate that production reports and royalty payments have not been received for this lease. I am enclosing the division's production report form for metalliferous minerals. Please immediately report production which has occurred under the lease and submit your royalty payment at the rate specified in the lease agreement, plus any interest payment which may be due the state.

Failure to comply with these requests within the next 30 days may subject the lease to cancellation pursuant to Article XIX of the lease agreement.

Thank you for your cooperation. Please call me if you have any questions.

Sincerely,



JOHN T. BLAKE
MINERAL RESOURCES SPECIALIST

JTB/tdw

~~cc: Wayne Hedberg~~